

## **Transportation**

Transportation spending, including the state's highway and transit programs, accounts for 6.1 percent of operating budget expenditures in the FY 2024 enacted budget. Nearly half of the expenditures in the five-year capital plan are for transportation projects, including roads and bridges, rail, and public transportation. Funding comes from major federal grants as well as user charges and other dedicated state sources. This report contains detailed information on these sources and how they have changed over time as well as a review of the formal process for capital project planning.

### **Transportation Planning Process**

Federal law requires that a statewide transportation improvement plan covers a period of no less than four years. Federal regulations also require that the first four years of the plan must be fiscally constrained, whereby the projects in the plan may not exceed the anticipated funding that is reasonably expected to be available over the four-year timeframe. No highway or transit project can utilize federal funds unless it appears in an approved Transportation Improvement Program. In Rhode Island, the Transportation Improvement Program is a culmination of a public outreach process to all communities, public interest groups, and citizens by the agencies involved in transportation planning and project implementation.

Following the public solicitation process, highway projects are selected for inclusion in the Transportation Improvement Program by a 26-member public body known as the Transportation Advisory Committee using criteria based on five major categories: mobility benefits, cost-effectiveness, economic development impact, environmental impact, and degree of support to local and state goals and plans. Certain types of projects are reviewed by special public committees prior to selection. Once a plan has gone through the Committee process, it is sent to the Governor's Office for concurrence and then it is submitted to the Federal Highway Administration and the Federal Transit Administration for final approval.

The Transportation Improvement Program includes a category for traditional highway projects. These projects primarily involve either a full reconstruction of the existing roadway or construction of a new highway facility. Projects are considered for this category if they involve a roadway and major work where more than resurfacing is involved. The pavement management program is another category of high interest that allows the state to pursue the most cost-effective pavement treatment for roads throughout the state. The work includes pavement resurfacing, crack sealing, and micro surfacing as appropriate. Roadways included in the pavement management program include community requested projects and those identified in the Department's pavement management program. Inclusion in the Transportation Improvement Program list does not guarantee the project will be implemented.

Projects are selected for implementation by the Department of Transportation based on an evaluation using four sources of information: pavement management system data, public input-priority assigned by communities, input from the Maintenance Division, and staff field review. Roadways with the worst ratings are candidates for resurfacing. Final selection considers traffic volumes and the distribution of projects statewide to insure an equitable geographic distribution. Roadways selected must be eligible for federal funding, which means the road must be functionally classified. State roads are given priority, but local roads may also be included in the program based on factors such as regional significance of the road or support for an economic development or enterprise zone initiative.

### **Recent Program Revisions**

The Department refers to its ten-year capital and operating plans as RhodeWorks. It is a comprehensive initiative with one component aimed at accelerating the replacement and reconstruction of state bridges with the goal of reducing the percentage of deficient bridges. Annually, the Department will propose

changes to the plan to make sure that projects are appropriately coordinated and that communities and constituents can have input. The federal FY 2018 through FY 2027 Transportation Improvement Program was approved in December 2017. Over a three-year period, a total of 30 amendments were added to it; 28 of these changes were minor in nature and were classified as administrative, and there were two major amendments. On January 25, 2019, the Department requested major revisions to the adopted plan, classified as Amendment #11. The amendment would “significantly redistribute funding to projects to cover increased construction costs, funding reductions, and align the program with Bridge and Pavement asset management priorities.” The Department subsequently submitted a request rescinding proposed changes included in the amendment. As such, two public hearings that were scheduled for the end of February to accept public comments on the proposed amendment were cancelled.

In July 2019, the Department proposed the other major amendment, classified as Amendment #19 to the Transportation Improvement Program. Solicitations for input were due on August 22 and two public hearings were held on August 13 and August 15. Among the proposed changes was the use of a \$70 million federal grant that the Department received. Of this amount, \$54.5 million is for the Henderson Bridge project. The amendment removed \$120.0 million from Rhode Island Capital Plan funds for paving projects that the Department had programmed but was never recommended by the Governor, nor approved by the Assembly. It added \$200.0 million of Grant Anticipation Revenue Vehicle (GARVEE) bonds that the 2019 Assembly approved for the Interstate 95 Northbound Providence Viaduct project. It also added \$20.0 million for the Pell Bridge Ramps Realignment project and \$2.8 million for preliminary engineering and an environmental assessment for an Amtrak stop at Rhode Island T.F. Green International Airport. All proposed changes were approved and adopted by the State Planning Council on August 29, 2019.

<b>Transportation Improvement Programs</b>		
<b>FFY</b>	<b>Date Approved</b>	<b>Total Amendments</b>
2022-2031*	September 9, 2021	6
2018-2027	December 14, 2017	30
2017-2025	September 8, 2016	3
2013-2016	February 28, 2013	7
2009-2012	August 14, 2008	13

*\*As of January 1, 2023*

In June 2021, the Department proposed the federal FY 2022 through FY 2031 plan, which went through the planning process and was adopted in September 2021. It contained \$8,244.7 million for transportation and transit projects and operations. Of this amount, \$3,575.9 million was included in the first four years of the plan, and \$4,668.9 million for the second half of the ten-year period. Funding for the plan in federal FY 2022 included \$505.5 million from federal funds, \$345.1 million from state sources, which included approved general obligation bonds, Rhode Island Capital Plan funds, gasoline tax proceeds, and highway maintenance funds. It assumed that the 2022 Assembly would authorize the issuance of \$34.8 million from revenue bonds. Other funds included land sales, paratransit and passenger revenues generated by the Rhode Island Public Transit Authority and local match for projects.

Subsequent to adopting the plan, on November 15, 2021, President Biden signed the \$1.2 trillion Infrastructure Investment and Jobs Act into law. It authorizes the Federal-Aid Highway Program for federal FY 2022 through FY 2026. It contains increased funding for surface transportation and establishes new grant programs. Rhode Island will receive an average of \$354 million annually. The increase from federal FY 2021 to FY 2022 is approximately \$103 million; the state match for that amount would be \$20.6 million.

The table on the following page shows the Department’s annual allocation from MAP 2021, FAST Act and projections from the Infrastructure Investment and Jobs Act.

Federal FY	Federal Act	RI's Allocation	New: Bridge Replacement	New: Electric Charging Stations	Total	Required Additional Match
2015	Moving Ahead for Progress (MAP 21)	\$ 211,081,927				
2016		\$ 221,837,373				
2017		\$ 224,957,309				
2018	Fixing America's Surface Transportation	\$ 230,202,826				
2019	(FAST) Act	\$ 236,184,138				
2020		\$ 240,920,619				
2021		\$ 239,414,545				
2022		\$ 289,527,640	\$ 48,384,691	\$ 4,572,292	\$ 342,484,623	\$ 20,614,016
2023		\$ 295,322,648	\$ 48,384,691	\$ 4,572,292	\$ 348,279,631	\$ 21,773,017
2024	Infrastructure Investment & Jobs Act	\$ 301,233,552	\$ 48,384,691	\$ 4,572,292	\$ 354,190,535	\$ 22,955,198
2025		\$ 307,262,674	\$ 48,384,691	\$ 4,572,292	\$ 360,219,657	\$ 24,161,022
2026		\$ 313,412,378	\$ 48,384,691	\$ 4,572,292	\$ 366,369,361	\$ 25,390,963

In November 2021, the Department requested an amendment to the Transportation Improvement Program, which was classified as an “Administrative Adjustment.” It essentially adjusted funding for 31 projects in the federal FY 2022 through FY 2025 period, the constrained period without an overall increase in funding; however, a total of \$13.4 million was added in the latter year of the plan. The Department proposed a second amendment to the program on February 3, 2022, to incorporate funding it received from the Infrastructure Investment and Jobs Act. The amendment included changes to more than 150 projects and added \$550.1 million over the federal FY 2022 through FY 2025 period and \$197.6 million in the second part of the plan, for a total of \$748.4 million over the ten-year period. Projects were advanced from the later years, reflecting the availability of funding. The amendment was available for public comment through February 14 and it was approved on February 17.

As part of his FY 2022 revised budget, the Governor recommended \$100.0 million from general revenues be transferred to the Rhode Island Capital Plan Fund to be used as the state match for additional transportation projects authorized under the Infrastructure Investment and Jobs Act for both the Department and the Rhode Island Public Transit Authority for two years. As the table above shows, the additional match for federal FY 2022 and FY 2023 would be \$42.4 million, supporting a great portion of the new matching funds are for discretionary projects.

The 2022 Assembly concurred with the Governor’s subsequent request to adjust expenditures, reflecting updated discretionary grant awards and earmarked funds. The amendments added \$10.0 million from Rhode Island Capital Plan funds to match \$40.0 million from federal funds the Department received for bridge replacement projects and reduced previously recommended funds by \$6.0 million for a project not approved, for a net increase of \$3.9 million.

For the Rhode Island Public Transit Authority, the amendment removed \$4.9 million for a project not approved by the Federal Transit Administration, and added a \$1.0 million match for the Newport Bus Facility. This resulted in a net reduction of \$3.9 million. Of the \$100.0 million Rhode Island Capital Plan funds allocation, \$75.3 million is for the Department, with the Authority receiving \$24.7 million. Based on project delays, the 2023 Assembly shifted a total of \$14.6 million from the Authority’s allocation of the Rhode Island Capital Plan Fund from FY 2023 and FY 2024 to FY 2025 and FY 2026.

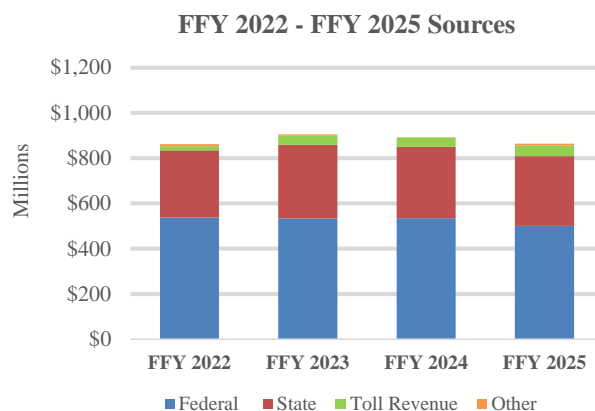
The following table includes program and funding for the amended Transportation Improvement Program, which reflects the adoption of six amendments through January 1, 2023.

Programs*	Total						
	FFY 2022	FFY 2023	FFY 2024	FFY 2025	FFY 2022-FFY 2025	FFY 2026-FFY 2031	FFY 2022-FFY 2031
Active Transportation	\$ 19.5	\$ 27.6	\$ 22.1	\$ 35.3	\$ 104.5	\$ 197.1	\$ 301.6
Bridge	164.5	161.8	172.5	157.5	656.4	1,158.6	1,814.9
Corridor Projects	2.2	24.5	40.4	38.8	105.9	181.0	286.9
Debt Service	113.4	116.2	116.1	112.4	458.1	649.9	1,108.0
Headquarters Operations	47.6	46.4	44.8	47.1	185.9	286.9	472.8
Maintenance Operations	76.5	80.0	80.5	81.2	318.2	478.2	796.4
Major Capital Projects	194.1	247.5	237.2	222.6	901.4	467.2	1,368.5
National Highway Traffic Safety Admin.	9.1	9.1	9.1	9.1	36.3	54.5	90.8
Pavement	102.8	97.4	89.3	76.0	365.6	330.5	696.1
Stormwater	16.8	15.0	11.0	10.0	52.8	60.0	112.8
Study and Development	17.4	15.6	15.5	15.6	64.0	66.3	130.4
Traffic Safety	57.1	32.9	31.5	38.3	159.7	212.2	371.9
Transit	40.9	30.9	22.7	20.2	114.7	170.7	285.4
<b>DOT</b>	<b>\$ 861.9</b>	<b>\$ 904.8</b>	<b>\$ 892.6</b>	<b>\$ 864.0</b>	<b>\$ 3,523.4</b>	<b>\$ 4,313.1</b>	<b>\$ 7,836.5</b>
Transit Capital	\$ 46.0	\$ 33.0	\$ 22.8	\$ 22.8	\$ 124.5	\$ 128.3	\$ 252.8
Transit Service	22.6	14.1	14.9	15.1	66.8	92.3	159.1
Transit Support Operations	115.3	122.2	124.4	126.5	488.3	661.6	1,149.9
<b>RIPTA</b>	<b>\$ 183.9</b>	<b>\$ 169.2</b>	<b>\$ 162.1</b>	<b>\$ 164.4</b>	<b>\$ 679.6</b>	<b>\$ 882.2</b>	<b>\$ 1,561.8</b>
<b>Total</b>	<b>\$ 1,045.9</b>	<b>\$ 1,074.1</b>	<b>\$ 1,054.7</b>	<b>\$ 1,028.4</b>	<b>\$ 4,203.0</b>	<b>\$ 5,195.3</b>	<b>\$ 9,398.3</b>

\$ in millions

\*As of January 2023

The following chart shows the Department’s funding sources for the first part of the ten-year period for the amended Transportation Improvement Program.



The constrained period assumes toll revenues of \$169.2 million and allocates \$144.2 million for project expenses, including \$112.2 million for the Route 6/10 Interchange Reconstruction project. Collections and when these funds are used differ; funds are budgeted based on projects being funded.

On September 21, 2022, the U.S. District Court ruled that the tolling program was unconstitutional and ordered the Department to stop collections within 48 hours of the ruling. Collections ceased that same evening. The Department submitted its first quarter report on October 28, 2022, stating that “no active construction projects will be impacted.” The state is appealing the decision.

The Governor’s revised and FY 2024 recommended budgets submitted on January 19, 2023, include an additional \$183.3 million of state support for transportation funding. This includes \$70.0 million to backfill

lost toll revenues, based on three quarters of revenues for FY 2023 and a full year for FY 2024. It includes \$87.8 million to provide more years of state match for federal infrastructure funds. The state’s gasoline tax was projected to increase by \$0.03 to \$0.38, effective July 1, 2023, while the Department’s budget request assumed only a one-cent increase. The Governor proposed legislation pausing the inflation indexing for two years and recommended \$24.6 million from Rhode Island Capital Plan funds to replace the foregone revenues. Pertaining to the Highway Maintenance Account, the fee for duplicate licenses was increased and retained as general revenues in the FY 2019 enacted budget to help offset the staffing needs related to timely provision of Real ID compliant credentials to those seeking them. The Governor proposed the estimated \$1.0 million from these fees be transferred to the account consistent with other similar fees. Net of current law allocations, the Department will receive an additional \$0.9 million. The Assembly concurred with the fee shift but not the gas tax change. It maintained the gas tax at current law and included \$24.6 million from gas tax proceeds for capital projects, instead of Rhode Island Capital Plan funds.

**Electric Vehicle Charging Infrastructure Program.** The Infrastructure Investment and Jobs Act authorized a National Electric Vehicle Infrastructure Formula Program, with the goal of establishing a nationwide network of 500,000 electric vehicle chargers by 2030. The 2022 Assembly concurred with the Governor’s proposal to create an Electric Vehicle Charging Infrastructure Program in state law. The program will be funded with \$22.9 million from federal funds through federal FY 2026. The program will be administered by the Department of Transportation and the Office of Energy Resources, with consultation from the Department of Environmental Management. The legislation requires reporting to the Governor and the General Assembly, by December 31, 2023, and annually thereafter until all the funds are used. The state submitted its plan for uses of the funds on July 29 and it received federal approval on September 14. It assumes \$8.3 million to construct 7 to 14 stations in the Providence metropolitan area, and annual operating costs of \$0.1 million per station for five years and \$3.8 million to upgrade two existing fast charging stations along I-95 and operating expenses. It also reserves \$2.0 million for Route 146, \$6.6 million for the southern coastal routes to accommodate seasonal rentals, \$0.5 million for data collection and analysis, and \$1.8 million for workforce development, public awareness and other initiatives.

**Bridge Replacement.** Another category for new formula funding authorized under the Infrastructure Investment and Jobs Act is the Bridge Replacement, Rehabilitation, Preservation, Protection and Construction, for which the act provides a total of \$27 billion over five years. The program is expected to help repair approximately 15,000 highway bridges nationwide.

### **Transportation Funding Reform**

Transportation funding on the state and national levels began to pose greater problems to governments as the cost of maintaining and replacing infrastructure outpaced the revenue sources historically used to support them. Rhode Island’s transportation funding plan relied heavily on debt and federal funds. Additionally, the state’s gas tax was the primary source to repay debt costs, with the remainder available for all maintenance activities, including highway preservation. As the following table illustrates, the per penny gasoline tax yield and the total funding available to the Department has steadily declined.

<b>Fiscal Year</b>	<b>Per Penny Yield</b>	<b>Fiscal Year</b>	<b>Per Penny Yield</b>
2007	\$ 4,707,603	2015	\$ 4,396,313
2008	\$ 4,513,744	2016	\$ 4,479,185
2009	\$ 4,327,710	2017	\$ 4,417,413
2010	\$ 4,289,568	2018	\$ 4,493,241
2011	\$ 4,210,324	2019	\$ 4,637,224
2012	\$ 4,205,959	2020	\$ 4,135,558
2013	\$ 4,137,712	2021	\$ 4,074,036
2014	\$ 4,236,402	2022	\$ 4,294,775

Even with the additional penny in FY 2010, available funding through FY 2013 decreased \$10.3 million, or approximately 12 percent. The per penny yield increased in FY 2014 for the first time in several years. Although declining gasoline tax revenue was a contributing factor to stagnant transportation funding, there were also other problems affecting Rhode Island. Beginning in 2011, the Assembly identified and addressed two of the major issues affecting the Department of Transportation: over reliance on debt and a limited amount of funding sources. In order to increase the amount of revenue for use by the Department, the state moved from its traditional financing model for matching federal funds to a pay-go model by establishing motor vehicle fee surcharges that would be transferred to the Highway Maintenance Account for use as a portion of the state's match. These funds, combined with Rhode Island Capital Plan funds provide the approximate \$40 million of annual match for federal funds, which was historically generated through borrowing ended, making 2010 the last year of general obligation bonds for this match.

The 2014 Assembly made several additional changes to transportation funding in order to address concerns regarding the use of tolls, gasoline tax and Division of Motor Vehicles fees, while meeting the infrastructure needs of the state. Those changes to transportation funding were a culmination of efforts, which began when the 2013 Assembly created the Joint Commission to Study Transportation Funding. The Commission met from September through December 2013 and submitted its findings in January 2014. During the 2014 session, both chambers of the Assembly proposed legislation that combined many elements discussed during those meetings, including changes to funding sources and transportation governance.

The 2014 Assembly adopted legislation to transfer new revenue sources, as well as existing general revenues, into the Highway Maintenance Account for the Department to use for costs related to maintenance and repairs to highways, roads, and bridges. New sources included an increase in the inspection fee from \$39 to \$55 and the addition of a \$25 surcharge to the good driving dismissal fee. The legislation also established a schedule to transfer the majority of other transportation related fees that were previously deposited as general revenues. Inspection fees and good driver dismissals were transferred beginning in FY 2015, and the remaining revenues were transferred incrementally, beginning with 25.0 percent in FY 2016, 75.0 percent in FY 2017, and all in FY 2018.

The 2014 legislation also indexed the gasoline tax to the Consumer Price Index every other year, rounded to the nearest cent. Additional sources include the utilization of \$25 million of unallocated bond proceeds to bridge the funding gap that occurs as the fee transfers from general revenues were phased in. The proceeds were from previously authorized general obligation bonds that date back to before FY 2000, but had not been programmed by the Department. These were revealed following a FY 2014 review of bond proceeds as their use as federal match was ending. Additional Rhode Island Capital Plan funds were allocated to stabilize the annual funding.

The 2014 Assembly also transferred 3.5 cents of gas tax to the Turnpike and Bridge Authority to be used in lieu of tolls that would have been used for operations and maintenance of the new Sakonnet River Bridge and other bridges under the Authority's purview. The Authority maintains ownership of the four bridges it currently operates. The legislation also transferred 5.0 percent of funding from the surcharges enacted in 2011 and motor vehicle fees to the Rhode Island Public Transit Authority to support its operations beginning in FY 2016. This amount was initially projected to be \$2.7 million in FY 2016 and grow with increasing amounts of revenue into the fund. The state also reduced the amount of debt service paid by the Department through the targeted use of general revenues in lieu of gas tax revenues, as well as the restructuring of debt in order to adjust the upcoming debt service payments to a more consistent amount. As part of the debt restructuring, \$9.3 million of general revenues was used to pay a portion of the Department's debt service in FY 2014. For each year thereafter, the amount of general revenues used for this purpose increased in \$10 million increments until FY 2018. The 2014 Assembly shifted debt service expenses from general revenues to funds available in the Highway Maintenance Account. This was part of the plan to align spending on transportation related costs with revenue raised from transportation sources.

The following table shows remaining debt service for the Department. It should be noted that general obligation debt service is included in the Department of Administration's budget.

Fiscal Year	2003 & 2016		Federal Funds Debt Service	Outstanding		Total Debt Service
	GARVEE Issuance	2020 GARVEE		Motor Fuel Revenue Bonds	Outstanding G.O. Debt*	
2023	57,535,250	8,277,750	65,813,000	5,363,250	39,366,374	110,542,624
2024	42,501,250	19,932,750	62,434,000	5,358,750	34,103,952	101,896,702
2025	42,501,000	19,930,000	62,431,000	4,883,500	31,799,805	99,114,305
2026	42,500,250	19,933,250	62,433,500	4,885,500	31,908,963	99,227,963
2027	42,500,250	19,930,750	62,431,000	1,606,500	26,568,940	90,606,440
2028	42,502,000	19,931,250	62,433,250	-	26,046,003	88,479,253
2029	42,501,250	19,933,000	62,434,250	-	20,419,321	82,853,571
2030	42,498,750	19,929,250	62,428,000	-	20,414,342	82,842,342
2031	-	19,928,500	19,928,500	-	10,879,010	30,807,510
2032	-	19,928,750	19,928,750	-	11,340,458	31,269,208
2033	-	19,933,000	19,933,000	-	9,171,137	29,104,137
2034	-	19,929,000	19,929,000	-	7,684,474	27,613,474
2035	-	-	-	-	6,438,836	6,438,836
2036	-	-	-	-	5,624,237	5,624,237
2037	-	-	-	-	5,625,319	5,625,319
2038	-	-	-	-	5,625,805	5,625,805
2039	-	-	-	-	5,623,514	5,623,514
2040	-	-	-	-	5,626,126	5,626,126
2041	-	-	-	-	5,621,765	5,621,765
2042	-	-	-	-	3,348,249	3,348,249

\*Net of general revenue share for FY 2017 restructuring

### Fund Sources

The Department receives funding through four major sources: federal funds, gasoline tax proceeds, Rhode Island Capital Plan funds, and transportation-related fees collected by the Division of Motor Vehicles. This analysis will explain the individual fund sources as well as expenditures from these sources. The following table illustrates the fund sources used in the FY 2023 and FY 2024 budgets.

Source	FY 2022 Reported	FY 2023 Enacted	FY 2023 Final	FY 2024 Enacted
Federal Highway Admin. Funds	\$ 263,067,279	\$ 225,559,586	\$ 273,419,718	\$ 269,998,557
Other Federal Funds	154,315,426	230,992,988	194,405,683	190,861,106
Gasoline Tax*	115,544,405	110,831,013	102,097,661	123,598,830
Motor Vehicle Fees	31,345,795	102,647,711	178,705,436	107,492,944
Toll Revenue	36,843,565	33,614,329	13,500,000	1,500,000
Rhode Island Capital Plan Funds	66,191,402	77,859,628	96,495,745	149,904,118
Restricted Receipts	2,555,165	5,949,070	6,164,531	6,210,256
Land Sale Revenue	1,407,737	7,760,141	7,983,563	8,023,299
Interstate 195 Land Sales	-	1,500,000	1,500,000	1,500,000
General Obligation Bonds**	-	[31,700,000]	[56,000,000]	[15,700,000]
<b>Total</b>	<b>\$ 671,270,774</b>	<b>\$ 796,714,466</b>	<b>\$ 874,272,337</b>	<b>\$ 859,089,110</b>

\*Excludes gas tax debt service for DOT, RIPTA & costs for centralized services & consolidated initiatives in DOA

\*\*Bond proceeds are not reflected in the Department's budget but are included for illustrative purposes

**Federal Highway Administration Funds.** On November 15, 2021, President Biden signed the \$1.2 trillion Infrastructure Investment and Jobs Act into law. It authorizes the Federal-Aid Highway Program for federal FY 2022 through FY 2026. It contains increased funding for surface transportation and

establishes new grant programs. The Department's annual allotment of funds is based on existing and prior year contracts for projects, anticipated new construction, design and engineering costs, and other planning activities such as traffic studies. These funds appear in both the Department's capital and operating budgets. In the Department's capital plan, these funds appear in the project labeled Highway Improvement Program.

Rhode Island will receive an average of \$354 million annually. The increase from federal FY 2021 to FY 2022 is approximately \$103 million; the state match for that amount would be \$20.6 million. As part of his FY 2022 revised budget, the Governor recommended \$100.0 million from one-time general revenues be transferred to the Rhode Island Capital Plan Fund to be used as the state match for additional transportation projects authorized under the federal Infrastructure Investment and Jobs Act. This includes \$71.3 million for the Department; the Capital Budget programs these as \$66.7 million in FY 2024 and \$4.7 million in FY 2025. This includes time for design and scoping before projects are constructed. A subsequent amendment altered the agency allocation, reflecting known federal awards and earmarked funds received. The Department will receive \$75.3 million with the Authority receiving \$24.7 million.

The Highway Improvement Program represents those highway and intermodal projects that utilize federal funds administered by the Federal Highway Administration. The program utilizes state funds for matching purposes in the form of proceeds from general obligation bonds. Federal funds earmarked for the Department's transit projects administered by the Federal Transit Administration are not included under this project but are included in the Fixed Guideway Project. Rhode Island Public Transit Authority projects using transit funds are included in the Authority's capital budget submission. The Highway Improvement Program is directed towards implementing the Department's capital program as identified in the Transportation Improvement Program.

**Other Federal Funds.** These federal funds that the Department receives are outside its annual allotment for highway improvement projects. A majority of this funding comes from the National Highway Transportation Safety Administration and is used to fund safety activities such as enforcement, traffic studies, signage and research. Other federal funding comes from the Federal Transit Administration. They also may include funds received through other legislation adopted by Congress, such as stimulus funds.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, adopted in March 2020 provides \$25.0 billion for Transit Infrastructure grants to help transit agencies prevent, prepare, and respond to COVID-19. The Department will receive \$13.3 million; funds were allocated through existing formula grant programs and are available for use from January 20, 2020 until expended. The funds can be used for operational expenses of transit projects and there are no matching requirements. Through the end of FY 2022, \$11.1 million has been spent; the remaining \$2.3 million is budgeted in the FY 2023 final and the FY 2024 enacted budgets.

On December 27, 2020, President Trump signed into law the consolidated appropriations act for federal FY 2021 that contains \$10.0 billion for Highway Infrastructure Programs. Uses of these funds appear to be flexible and no state match is required. Eligible uses include preventative maintenance, operations, personnel, contractors, debt service payments, and coverage for revenue losses. The Department's portion of the funds will be \$54.3 million; \$24.1 million was spent in FY 2022 and \$30.1 million is included in the FY 2023 final budget. President Trump also signed into law a \$1.4 billion omnibus appropriations act for federal FY 2021. It includes \$86.7 billion for transportation, which is \$553.0 million above the federal FY 2020 allocation. The Department's portion of the additional amount is \$63.2 million; a 20.0 percent state match for use of these funds is required. The additional funds will be used for ongoing projects.

These funds also include discretionary grants; from time to time, these funding opportunities become available. These funds are awarded on a competitive basis, with a state match required for their uses, and are for specific projects which are above the Department's annual federal funds allotment. The discretionary grants allow the Department to advance and/or to enhance a project by adding traffic



improvements, transit features, or security measures. The 2020 Assembly adopted legislation requiring the Department to report, on a quarterly basis, a list of all federal, discretionary, and any other grants that it has applied for and to identify any changes from its prior report. For grants that require a state match, the Department must identify if the source for the state’s match is available under currently authorized funding.

In the July 2022 Rhodeworks Report, the Department identified two grant applications pending, requiring \$26.0 million of matching funds. This includes \$25.0 million for Rebuilding the East Avenue Corridor and \$1.0 million for safety projects. The report also noted an upcoming grant application opportunity, which would require matching funds of \$16.2 million for the I-95 Missing Move and Quonset Ramps Construction. It should be noted that the Department had previously submitted grant applications for this project that were not successful. The RhodeWorks Report issued on October 30, 2022, removed the East Avenue project, as funding was not awarded but included \$33.6 million for Revitalizing the Ashton Viaduct (Route 116). The discretionary match for that project would require \$6.7 million. The Department indicated that it has a partial match for this project under its current funding authorization.

It should be noted that the Department’s FY 2024 through FY 2028 capital budget request includes \$176.0 million from a source not yet identified to be used from FY 2025 through FY 2028 for the match requirement of federal discretionary grants. Subsequently, the Department indicated that this amount is intended to include all of its current state match shortfall, not limited to discretionary grants. Accounting for the revenue bonds, assumed but not approved, would bring the shortfall to \$210.8 million. The Assembly concurred with the Governor’s recommendation to provide \$140 million to cover the shortfall, including \$87.8 million for the state’s transportation match for FY 2025 and FY 2026, \$40 million beyond the Department’s request from the gasoline tax, and an additional \$4.5 million or \$0.9 million annually from transferring the fee for duplicate licenses into the account.

**Gasoline Tax.** The state’s transportation funding is affected by its reliance on the gasoline tax and the revenue it yields. Section 31-36-7 of the Rhode Island General Laws sets the gasoline tax at 32 cents per gallon, indexed to the Consumer Price Index every other year, rounded to the nearest cent, effective July 1, 2014. Additionally, Section 46-12.9-11 of the Rhode Island General Laws, establishes a one-cent environmental protection regulatory fee, half of which is deposited in the Intermodal Surface Transportation Fund. The disposition of proceeds is outlined in Section 31-36-20 of the General Laws. Upon receipt, all gasoline tax proceeds are deposited into the Intermodal Surface Transportation Fund from which statutory transfers are made to the Department, the Rhode Island Public Transit Authority, the Rhode Island Turnpike and Bridge Authority, and the Department of Human Services for the elderly/disabled transportation program.

Entity	FY 2022 Reported	FY 2023 Final	FY 2024 Current Law	FY 2024 Recommended	FY 2024 Enacted
Department of Transportation	20.25	20.25	23.25	20.25	23.25
Rhode Island Public Transit Authority	9.75	9.75	9.75	9.75	9.75
Turnpike and Bridge Authority	3.5	3.5	3.5	3.5	3.5
Elderly Transportation	1.0	1.0	1.0	1.0	1.0
Underground Storage Tank Fund	0.5	0.5	0.5	0.5	0.5
<b>Total (in cents)</b>	<b>35.0</b>	<b>35.0</b>	<b>38.0</b>	<b>35.0</b>	<b>38.0</b>

The distribution of proceeds derived from the gasoline tax remained the same from FY 2009 through FY 2015. However, as previously noted, FY 2016 was the first year the gasoline tax increased as a result of inflation; it increased by one cent to 34 cents and again to 35 cents for FY 2020. The inflation was not sufficient to increase the gasoline tax in FY 2022.

For FY 2024, the gasoline tax is projected to increase by three cents to 38.0 cents, with 37.5 cents of that going towards transportation. The Governor recommended suspending the indexing for two years. The revised budget transfers \$24.6 million from general revenues to the Rhode Island Capital Plan Fund to

cover gas tax revenues that would have been collected. The Assembly did not concur and maintained the gas tax at current law.

The following table shows how the New England states rank as of January 2022.

<i>As of 1/1/2022</i>	<b>Tax - Cents Per Gallon</b>	
	<i>Gas</i>	<i>Diesel</i>
<b>Rhode Island<sup>1</sup></b>	<b>35.0</b>	<b>35.0</b>
Connecticut	35.8	40.1
Maine	30.0	31.2
Massachusetts <sup>2</sup>	26.5	26.5
New Hampshire	23.8	23.8
Vermont	32.1	32.0
New England Average	30.5	31.4
U.S. Average	38.7	40.2

*Source: American Petroleum Institute includes state surcharges*

<sup>1</sup> Increased 1 cpg on 7/1/19

<sup>2</sup> Increased 3 cpg 7/1/13, indexed to inflation; 11/14 referendum repealed index

**Motor Vehicle Fees.** FY 2014 was the first year of the phased-in vehicle surcharge fees, including a \$10 surcharge on biennial vehicle registrations, a \$5 surcharge on annual vehicle registrations and a \$10 surcharge on operator licenses, purchased on a five-year basis. The following table summarizes the incremental fee increases.

<b>Fiscal Year</b>	<b>Biennial Registration Fee</b>	<b>Annual Registration Fee</b>	<b>License Fee</b>
2013	\$ 60.00	\$ 30.00	\$ 30.00
2014	\$ 70.00	\$ 35.00	\$ 40.00
2015	\$ 80.00	\$ 40.00	\$ 50.00
2016	\$ 90.00	\$ 45.00	\$ 60.00

The biennial registration surcharge increased in \$10 increments to a total of \$30, the annual registration surcharge increased in \$5 increments to a total of \$15, and the license surcharge increased in \$10 increments to a total of \$30 beginning in FY 2014 and ending in FY 2016. These fees are transferred to the Department for use as a portion of the state match for federal funds.

In addition to the surcharges, portions of other fees collected by the Division of Motor Vehicles are dedicated to the Department. The Assembly adopted Article 21 of 2014-H 7133, Substitute A, as amended, which allocated new revenue sources, as well as transferred existing sources previously deposited into general revenues into the Highway Maintenance Account for costs related to maintenance and repairs of highways, roads and bridges.

The following table shows revenue derived from the surcharges through FY 2022 and projected for FY 2023 and FY 2024. As those are flat fees, there is little change each year.

<b>Fiscal Year</b>	<b>Biennial Registrations</b>	<b>Annual Registrations</b>	<b>Licenses</b>	<b>Total</b>
2014	\$ 3,817,669	\$ 791,140	\$ 1,260,140	\$ 5,868,949
2015	\$ 7,611,636	\$ 1,989,693	\$ 3,098,765	\$ 12,700,094
2016	\$ 10,557,994	\$ 3,905,012	\$ 6,978,578	\$ 21,441,584
2017	\$ 10,653,395	\$ 3,940,297	\$ 4,773,270	\$ 19,366,962
2018	\$ 10,380,521	\$ 3,839,371	\$ 4,957,571	\$ 19,177,463
2019	\$ 10,632,930	\$ 3,932,728	\$ 5,131,315	\$ 19,696,973
2020	\$ 10,249,974	\$ 3,791,086	\$ 5,140,119	\$ 19,181,179
2021	\$ 10,679,944	\$ 3,999,535	\$ 4,684,964	\$ 19,364,443
2022	\$ 10,459,504	\$ 3,868,584	\$ 4,901,874	\$ 19,229,962
2023	\$ 11,468,491	\$ 4,241,771	\$ 5,374,738	\$ 21,085,000
2024	\$ 11,729,764	\$ 4,338,406	\$ 5,497,185	\$ 21,565,355

Those sources were in addition to the vehicle emission inspection fee increase from \$39 to \$55, the transfer of rental car surcharges, and the addition of a \$25 surcharge for good driving dismissals. The legislation also established a schedule to transfer the majority of all other transportation related fees currently collected by the Division of Motor Vehicles to the Highway Maintenance Account. The inspection fee, the good driver dismissal surcharge and car rental surcharges were transferred as of FY 2015, and the remaining revenues were transferred incrementally beginning with 25.0 percent in FY 2016 and 75.0 percent in FY 2017, with all of the funds being transferred in FY 2018.

The 2017 Assembly amended the distribution of the Highway Maintenance Account to require transfers of 50.0 percent for FY 2017 and 80.0 percent for FY 2018. It also amended the disposition of the Highway Maintenance Account to provide the Authority with an additional \$5.0 million in each FY 2018 and FY 2019. This is in addition to the 5.0 percent share that the Authority received. The 2018 Assembly concurred with the Governor's proposal to further alter the transfer from 80.0 percent to 60.0 percent for FY 2018. All funds collected in FY 2019 and after would be transferred to the account.

Governor Raimondo proposed legislation in Article 8 of 2019-H 5151 to provide the Authority with an additional \$5.0 million from the Department's share of the Highway Maintenance Account for FY 2020. The legislation also proposed that the Department reimburse the Division of Motor Vehicles for costs of certain employees involved in the collection of fees going into the account. The Assembly concurred with the recommendation to use a portion of highway maintenance funds to offset the cost of collections by retaining 5.0 percent of total resources rather than allowing for administrative discretion. The Assembly also adopted legislation to permanently provide the Authority with an additional \$5.0 million annually.

Governor McKee proposed legislation in Section 7 of Article 2 of 2021-H 6122, allowing "federal coronavirus relief funds" to be counted toward the fixed \$5.0 million minimum allocation of highway maintenance funds dedicated to the Rhode Island Public Transit Authority to help support the free fare program for low income seniors and persons with disabilities. The Department received \$13.3 million from federal CARES Act funds for operational expenses of transit projects to be used from January 20, 2020 until expended. The FY 2021 revised and FY 2022 recommended budgets shifted \$7.1 million of these funds to the Authority, which made \$7.1 million of additional funding available to the Department for state match on capital projects. The Authority's share of the CARES Act federal transit fund allocation was \$91.2 million. Subsequently, the Department revised the assumption on the total that would be made available for state match. A total of \$8.6 million was transferred to the Authority, including \$3.5 million for FY 2022, \$3.4 million for FY 2021, and \$1.4 million for FY 2020.

The following table shows the sources and the total including surcharges explained previously.

Source	FY 2022 Reported	FY 2023 Enacted	FY 2023 Final	FY 2024 Enacted
Inspection Sticker Increase	\$ 12,874,030	\$ 12,843,100	\$ 14,115,937	\$ 14,437,523
Title Fees	10,368,314	10,341,375	11,368,505	11,627,500
Rental Car Surcharge	4,308,434	3,184,178	7,090,823	4,355,828
Good Driving Surcharge	315,988	399,711	315,988	315,988
License and Registration Transfer	53,537,286	56,229,757	53,621,186	55,190,748
Surcharges	19,229,962	19,649,590	21,085,000	21,565,355
<b>Total</b>	<b>\$ 100,634,014</b>	<b>\$ 102,647,711</b>	<b>\$ 107,597,439</b>	<b>\$ 107,492,942</b>
5.0 Percent for Collection Cost	(5,031,701)	(5,132,386)	(5,379,872)	(5,374,647)
<b>Total</b>	<b>\$ 95,602,313</b>	<b>\$ 97,515,325</b>	<b>\$ 102,217,567</b>	<b>\$ 102,118,295</b>

*Does not include carry-forward funds*

The Governor's recommendation assumes revenues of \$104.0 million from highway maintenance funds, \$1.0 million more than the November Revenue Estimating Conference, reflecting his proposal to dedicate the fee for duplicate licenses into the account. The Assembly concurred with the Governor's proposal and included revenues of \$107.5 million, which reflects the Office of Revenue Analysis' May 2023 estimate.

**Toll Revenue.** At the end of May 2015, Governor Raimondo requested an amendment to her budget to permit the collection of tolls on large commercial trucks and authorize \$900 million of borrowing in order to provide \$700 million to partially fund the routes 6/10 connector project. Her plan was to ensure the number of structurally deficient bridges would be reduced to less than 10 percent in the next decade. The Rhode Island Turnpike and Bridge Authority would issue the debt. The House Finance Committee considered this proposal on June 2, 2015, but did not incorporate it into the FY 2016 budget. Separate bills containing a revised proposal were introduced on June 16 and 18 in the Senate and House, respectively. The House Finance Committee heard 2015-H 6321 on June 22 but took no further action. The Senate adopted a version of that legislation in 2015-S 997, Substitute A.

In October 2015, the Department proposed its ten-year Transportation Improvement Program, reflective of its capital budget. The program included \$500 million of borrowing matched by \$400 million of federal funds for the routes 6/10 connector project. Governor Raimondo signed into law the RhodeWorks legislation, contained in 2016-H 7409, Substitute A, as amended on February 11, 2016. The legislation also allowed the Department to borrow \$300 million through the GARVEE Program and refinance prior GARVEE debt. The legislation adopted by the Assembly did not include any bonds backed by toll revenue. The legislation authorizes tolling on large commercial vehicles. The total amount of tolls imposed upon the same individual large commercial truck for making a border-to-border trip through Interstate 95 Connecticut to Interstate 95 Massachusetts shall not to exceed \$20. The daily maximum amount collected upon the same individual large commercial truck shall not exceed \$40. Tolls would be collected along six major highway corridors at 13 locations. The following table shows toll revenues through the U.S. District Court's ruling.

Fiscal Year	Toll Revenues	Cumulative
2018	\$ 443,804	\$ 443,804
2019	\$ 8,109,772	\$ 8,553,576
2020	\$ 16,699,392	\$ 25,252,968
2021	\$ 34,761,828	\$ 60,014,796
2022	\$ 38,400,508	\$ 98,415,304
2023	\$ 7,670,625	\$ 106,085,929

The Department contracted with Kapsch TrafficCom to design, build, operate, and maintain the electronic tolling system for ten years. The total cost of the contract is \$68.9 million, including \$41.8 million for

construction of the gantries and associated hardware and software, and \$27.1 million over 10 years for operation and maintenance. Through the end of June 2022, all but one gantry was operational, including the Viaduct (location 5). Toll collections started on June 1, 2018 from two gantries.

The Governor's recommended capital budget does not assume any toll revenues in the out-years but only provides resources to backfill funds through FY 2024. The Assembly concurred.

**Rhode Island Capital Plan Funds.** These funds are appropriated according to the Department's capital budget request and appear as other funds in the operating budget. Funds are used for projects such as storage and maintenance facilities, as well as upgrades to department-owned property, such as roof repairs or fire alarm installation. Beginning in FY 2013, approximately \$20 million from this source was included to be used as a portion of the state match for federal highway funds. These funds, combined with highway maintenance funds provide the \$40 million of annual match for federal funds, which was historically generated through borrowing.

The 2021 Assembly concurred with the Governor's recommendation to provide the Department with an additional \$58.5 million from Rhode Island Capital Plan funds for state match based on a review of its shortfall in match for discretionary grants. This includes \$28.5 million for FY 2022 and \$25.0 million for FY 2023.

As part of his FY 2022 revised budget, the Governor recommended \$100.0 million from general revenues be transferred to the Rhode Island Capital Plan Fund to be used as the state match for additional transportation projects authorized under the federal Infrastructure Investment and Jobs Act for both the Department of Transportation and Rhode Island Public Transit Authority for two years. The additional match for federal FY 2022 and FY 2023 would be \$42.4 million. This appears to assume a great portion of the funds are used for discretionary projects. A subsequent amendment altered the agency allocation, reflecting known federal awards and earmarked funds received, with \$75.3 million for the Department and \$24.7 million for the Authority.

The Governor's revised FY 2023 budget includes an additional \$87.8 million to provide more years of state match for federal infrastructure funds. The Assembly concurred.

**Restricted Receipts.** This source includes funds the Department receives when it performs work for municipalities and other entities which are used to fund personnel costs for employees who perform work on the projects and track usage fees for the Rhode Island Public Rail Corporation. The 2021 Assembly adopted legislation allowing the Budget Officer to convert escrow liability accounts to restricted receipt accounts that are established prior to July 1, 2021, upon the directive of the Controller with the consent of the Auditor General.

At the end of FY 2022, the Intermodal Surface Transportation Fund included a restricted receipts negative account balance of \$3.5 million. The Department attributed this to two reimbursements it has not received for the Pawtucket/Central Falls Train Station project. This includes \$3.0 million from the City of Pawtucket and the City of Central Falls, and \$3.7 million from the Rhode Island Public Transit Authority. The Authority indicated that there was a compliance issue that needed to be resolved with the Federal Transit Administration before it can receive the funds; the Department was reimbursed in November 2022. The reimbursement issue concerning the two municipalities was resolved; state funds were used to close out the project.

**Land Sale Revenue.** Sales of department-owned land can be used to purchase land and equipment or to offset operating costs throughout the Department, including personnel expenses. Funding is being used to upgrade the Department's materials testing facility in Providence. At the end of FY 2022, the Department had \$11.8 million in available receipts. The amended Transportation Improvement Program assumes use

of \$5.9 million in federal FY 2022 to support miscellaneous departmental projects, programs and initiatives; \$5.0 million each in FY 2023 and FY 2026; and \$3.0 million in FY 2024.

**Interstate 195 Land Sales.** The sale of land was made available through the relocation of Interstate 195. The Department sold the land made available from the relocation to finance a portion of project expenses. The Assembly enacted 2011-H 5994, Substitute A, as amended, which provided that after the appraisal of the parcels, they would be purchased by the Economic Development Corporation through the issuance of bonds. The proceeds allowed the Department to complete the relocation project, while the Corporation sells the parcels at its own pace. The principal of \$38.4 million was originally amortized over a ten-year period, with a balloon payment of \$32.0 million due in FY 2023; however, the FY 2020 budget indicated the balloon payment was to be amortized for an additional ten years. Subsequent to its budget submission, the Department indicated that its requests should not include any activity related to these land sales.

At the end of FY 2022, the Department had \$5.5 million of these proceeds available. It plans to allocate these funds and an additional \$2.5 million from other sources, for a total of \$8.0 million for phase two of the Airport Connector Project for landscaping and beautification. In phase one, \$12.9 million was spent on paving and safety improvements.

**General Obligation Bond Proceeds.** The state had utilized general obligation bonds to provide a match totaling \$40.0 million for federal funds in addition to the match used for GARVEE projects, which is provided by the Motor Fuel Tax Revenue Bonds. The voters approved \$80.0 million in November 2006, 2008, and 2010 to provide \$40.0 million each year, with funding programmed through FY 2014. General obligation bond debt service is paid with gasoline tax revenue and the Motor Fuel Tax Revenue Bonds' debt service is paid by \$0.02 cents of the gasoline tax. Increasing amounts of motor vehicle fees and Rhode Island Capital Plan funds are being used as the state match in lieu of bonding; no new bonds had been authorized since 2010. The 2011 Assembly replaced borrowing with pay-go sources.

In July 2020, Governor Raimondo requested an amendment to add \$30.0 million of new general obligation bonds for voter approval to account for match shortfalls related to gas tax collections. The Assembly provided \$71.7 million of general obligation bonds for voter approval for the Department to make up for additional shortfalls in state match related to a decline in gas tax and other sources resulting from the coronavirus pandemic crisis. The capital budget assumes use of \$56.0 million for FY 2023 and \$15.7 million for FY 2024 from the newly approved general obligation bonds.

**Other Funds.** These funds are derived from the sale of department-owned surplus property and equipment, proceeds from the state infrastructure bank and proceeds derived from the sale of outdoor advertising at the Department's maintenance facilities.

## Reporting

The RhodeWorks legislation that was adopted in 2016 requires the Department to provide quarterly reports on the progress and implementation of projects. The reports are due within 30 days of each fiscal quarter. They are due to the Office of Management and Budget, House and Senate Fiscal advisors. The requirement was designed to assist with oversight on the progress of the work. This includes quarterly reporting on plans to issue contracts, costs, and completion dates in order to track adherence to the aggressive goals of RhodeWorks. The Department must also report the number of workers hired through the contracts, including those with a Rhode Island address. The 2021 Assembly adopted legislation requiring the Department to report, on a quarterly basis, a list of all federal, discretionary, and any other grants that it has applied for and to identify any changes from its prior report. For grants that require a state match, the Department must identify if the source for the state's match is available under currently authorized funding. Since the adoption of the legislation, all reports have been submitted on time. The reports are also posted on the Department's website: <https://www.dot.ri.gov/accountability/index.php>.